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**THE UNITED STATES DISTRICT COURT**
**SOUTHERN DISTRICT OF NEW YORK**

CHANEL, INC., a New York corporation,

Plaintiff,

v.

VERONIQUE IDEA CORP., a New York corporation, d/b/a VERONIQUE IDEA CORPORATION, and JONG EUN PARK a/k/a DANIEL PARK, an individual, d/b/a VERONIQUE IDEA CORPORATION, and DOES 1-10,

Defendants.

Case No. 10-cv-2587 (VM)

**PLAINTIFF'S MEMORANDUM OF LAW IN REPLY TO DEFENDANTS' MEMORANDUM OF LAW IN OPPOSITION TO PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT**

Plaintiff, Chanel, Inc. ("Chanel") hereby files and serves its Memorandum in Reply to Defendants' Memorandum of Law in Opposition to Plaintiff's Motion For Summary Judgment and states as follows:

## I. INTRODUCTION

In their Opposition Memorandum and Local Rule 56.1 Counter-statement, the Defendants, Veronique Idea Corp. ("Veronique") and Jong Eun Park ("Park") (collectively the "Defendants") expressly admit Chanel's claims regarding ownership of the trademark at issue, unauthorized use of the trademark by the Defendants, and the likelihood of consumer confusion. Moreover, the Defendants admit facts which conclusively demonstrate the willfulness of their actions and expressly acknowledge their failure to produce documents in violation of their discovery obligations and the Order of this Court. Aside from their admissions regarding liability and damages, the Defendants' Opposition Memorandum contains nothing more than feeble excuses, uncorroborated by competent evidence, for their wrongful behavior. This Court should view those excuses as the red herrings they are and enter Summary Judgment in favor of Chanel.

## II. ARGUMENT

### A. The Defendants have admitted liability.

The Defendants have admitted facts sufficient to establish their liability under Counts I and II of Chanel's Complaint. Specifically, as to Count I, 15 U.S.C. §1114 provides liability for trademark infringement if, without the consent of the registrant, a Defendant uses "in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark: which "is likely to cause confusion, or to cause mistake, or to deceive. Chanel must only demonstrate (1) it owns the Chanel Mark at issue; (2) Defendants' use of the Chanel Mark is without authorization from Plaintiff; and (3) Defendants' use is likely to cause confusion, mistake, or deception as to the source, affiliation, or sponsorship of their goods. As demonstrated below, the Defendants have expressly admitted all of the necessary elements underlying Chanel's claim for trademark infringement and counterfeiting.

In Paragraphs 5, 14, and 22-33 of Chanel's Rule 56.1 Statement, Chanel states it is undisputed that the Defendants used the Chanel Marks in commerce by offering for sale and selling costume jewelry items bearing a counterfeit of the Chanel Mark and that, at the time of such use, the Defendants were on constructive and actual notice of Chanel's ownership of that trademark. Those paragraphs of Chanel's Statement were admitted in the Defendants' Counter-statement. See Defendants' Rule 56.1 Counter-statement at ¶¶ 5, 14, and 22-33.

In Paragraphs 2, 3, and 12 of its Rule 56.1 Statement, Chanel states (1) it owns United States Trademark Registration 1,501,898 for the CC Monogram (the "Chanel Mark") and (2) the Chanel Mark has never been abandoned and is incontestable pursuant to 15 U.S.C. §1065. In their Rule 56.1 Counter-statement, the Defendants also admit Chanel's statements of fact in that regard. See Defendants' Rule 56.1 Counter-statement at ¶¶ 2, 3 and 12.

Additionally, in Paragraphs 4, 13 and 47 of Chanel's Rule 56.1 Statement, Chanel states the Defendants had no authorization, and were aware they had no right, to make any use of the Chanel Mark at any time. In their Counter-statement, the Defendants also admit this fact. See Defendants' Rule 56.1 Counter-statement at ¶¶ 4, 13 and 47.

Finally, in Paragraphs 19, 22, 28, 31, 33 and 42 of Chanel's Rule 56.1 Statement, Chanel states it is undisputed the Defendants engaged in the purchase and sale of goods bearing "the Chanel Mark" and "counterfeits of the Chanel Mark." In the corresponding paragraphs of their Counter-statement, the Defendants do not dispute Chanel's statements of fact in that regard. By admitting their use of counterfeits of the Chanel Mark, the Defendants have necessarily admitted the likelihood of consumer confusion. As noted in Chanel's initial brief, counterfeits, by their very nature, cause confusion. See Topps Co., Inc. v. Gerrit J. Verburg Co., 41 U.S.P.Q.2d 1412, 1417 (S.D.N.Y.1996) ("Where the marks are identical, and the goods are also identical and directly competitive, the decision can be made directly without a more formal and complete discussion of all of the Polaroid factors."). Indeed, confusing the customer is the whole purpose of creating counterfeit goods. *Cf.* Polo Fashions, Inc. v. Craftex, Inc., 816 F.2d 145, 148 (4th Cir.1987) ("Where, as here, one produces counterfeit goods in an apparent attempt to capitalize upon the popularity of, and demand for, another's product, there is a presumption of a likelihood of confusion.").

**B. The Defendants have submitted no evidence regarding the sophistication level of their clients.**

In their Opposition Memorandum, the Defendants claim they sell their goods to retailers who are "sufficiently sophisticated not to be confused as to the source of products." Defendants' Opposition Memorandum at page 6. However, the Defendants have submitted no evidence to corroborate their statement in that regard. Specifically, the Defendants have not submitted any survey evidence, market research or other empirical data related to the sophistication level of their clients. Indeed, nowhere in their Memorandum or the Declaration of Defendant Park do the Defendants even identify who their customers are. Moreover, since Chanel has submitted evidence that its private investigator simply walked in off the street and purchased counterfeit Chanel branded merchandise in the Defendants' store, it is readily apparent the Defendants do not only sell to retailers. Rather, they clearly also sell directly to consumers.

**C. The Defendants did not engage in their counterfeiting activities in good faith.**

The Defendants contend that a finding of willfulness on summary judgment is inappropriate because:

1. The issue of intent is inappropriate for determination on summary judgment;

2. The Defendants saw a jewelry store on 47th Street selling jewelry items bearing the Chanel Mark at issue; and

3. Their sale of counterfeit Chanel merchandise to Chanel's investigator after service of the Complaint in this matter was simply consummation of a prior sale as opposed to an actual post-service sale.

The Defendants' contentions are without merit.

First, the Second Circuit has expressly held that a determination as to a defendant's intent is appropriately made on summary judgment in a clear case such as this. Resource Developers, Inc. v. Statue of Liberty-Ellis Foundation, Inc., 926 F.2d 134 (2nd. Cir. 1991). Resolution of the issue of intent is particularly appropriate herein since (1) the Defendants have offered no evidence of good faith to counter the significant evidence of bad faith offered in Chanel's moving papers, and (2) the Defendants' own discovery misconduct effectively precluded Chanel from investigating the Defendants' good faith or lack thereof. Specifically, the Defendants did not identify or produce documents related to their customers or suppliers of the counterfeit Chanel goods at issue, thereby precluding Chanel from deposing those individuals or entities regarding the Defendants' knowledge regarding their illegal activities. The Defendants should not be allowed to assert they acted in good faith while simultaneously blocking Chanel's access to evidence which might demonstrate their bad faith.

Likewise, the Defendants' argument that they acted in good faith because they had "employees do research on-line, which revealed a large fine jewelry store on 47th Street was selling the exact same [counterfeit Chanel] items openly on the Internet," is unavailing, because it is both meaningless in legal terms and unsupported by competent, admissible evidence. Specifically, it is simply not a defense to a trademark infringement and counterfeiting claim that the Defendants have seen other people selling similar goods. Notably, the Defendants' Opposition Memorandum is bereft of any legal authority to the contrary.

Additionally, the Defendants have only submitted inadmissible hearsay evidence in support of their contention that online searches were conducted. Specifically, in Paragraph 6 of Defendant Park's Declaration, he states that certain unidentified employees performed the on-line research referred to in the Opposition Memorandum. Clearly, since Mr. Park did not do the on-line searches himself, he does not have personal knowledge of the searches performed or the results obtained therefrom. Thus, Paragraph 6 of the Park Declaration constitutes inadmissible hearsay statements not made upon personal knowledge. Moreover, the Defendants have produced no supporting documents demonstrating that a search was ever performed or that any goods bearing the Chanel Marks were found. If such documents existed, they too would have been subject to Chanel's discovery request and the Court's Order regarding production of documents. Thus, to the extent they exist, they were also improperly withheld from Chanel and could not properly be relied upon in opposition to Chanel's motion.

Finally, the Defendants' claim that they did not engage in the post-service sale of counterfeit Chanel merchandise strains credulity. In an effort to wriggle out of damning evidence that they engaged in the sale of counterfeit Chanel merchandise even after being served with the Complaint in this matter, the Defendants state (1) Mr. Park was not personally served with the Summons and Complaint and (2) they merely consummated a previously made sale post-service. See Defendants' Rule 56.1 Counter-statement at ¶¶29 and 31. As to the first point, Chanel has filed a sworn Return of Service in this case demonstrating the Summons and Complaint was served personally upon Defendant Park on March 24, 2010 (DE 3 – under seal). While the Defendants state Defendant Park was not personally served in Paragraph 29 of their

Rule 56.1 Counter-statement, they offer no evidence in support of that statement as is required by Local Rule 56.1. Further, in Paragraph 8 of his Declaration, Defendant Park actually contradicts the statement saying "[w]e were served with a Summons and Complaint regarding this case on March 24, 2010." Declaration of Jong Eun Park at ¶8.

Additionally, Chanel has submitted the Declaration of Elizabeth Elfeld ("Elfeld") (DE 26-5), a licensed private investigator, who confirms in Paragraphs 18-20 thereof that she entered the Defendants' store location and purchased Chanel branded counterfeit goods on March 26, 2010 by check dated the same day. See Declaration of Elizabeth Elfeld at ¶¶18-20. Accordingly, it is clear that two days after being personally served with a copy of the Summons and Complaint in this matter, the Defendants did not merely "honor" Ms. Elfeld's payment, but rather, requested and received her payment in exchange for the goods, i.e. they sold her counterfeit Chanel branded costume jewelry. The fact that Ms. Elfeld informed the Defendants of the goods she was seeking to purchase prior to service is of no moment.

**D. The Defendants have admitted their discovery misconduct and should be sanctioned appropriately.**

In Paragraphs 10-12 of the Park Declaration, the Defendants admit they have been in possession of relevant sales documents ordered to be produced in this matter and subject to Plaintiff's discovery request since prior to May 18, 2010, and that they failed to produce those documents in this litigation. Hence, the Court should give little consideration to the Declaration of Yeon Joo Lee ("Lee"), Defendants' counsel, in which she attempts to distort the Defendants' decision to withhold documents into a refusal by Chanel's counsel to accept those documents. Defendants' counsel's Declaration is materially false. Specifically, in Paragraph 6 of her Declaration, Ms. Lee states that on November 19, 2010, she offered to produce Defendants' documents on a rolling basis and that Chanel's counsel declined the offer. As Ms. Lee knows, that statement is untrue. What actually happened was that Defendants finally offered to begin producing document immediately prior to their depositions at the very end of the discovery period and suggested the depositions be delayed until after production. Chanel's counsel declined to move the depositions since the discovery period was ending but never refused to accept production of documents. In fact, at the conclusion of the Defendants' deposition, Chanel's counsel expressly asked Defendants' counsel to continue to produce records and Defendants' counsel promised on the record to do so before the November 12, 2010 discovery cutoff. See Park Deposition at Pg. 142, ll. 19-25 through Pg. 143, ll. 1 -23. That, of course, did not happen.

Additionally, prior to the Court's status conference on November 19, 2010, Ms. Lee asked Chanel's counsel to stipulate to Defendants' motion to extend the discovery cutoff (which had already passed). Chanel's counsel declined Defendants' offer to drag this litigation on indefinitely while they disregarded discovery obligations and Court orders. On behalf of the Defendants, Ms. Lee made the same offer to continue looking for documents and produce them on a rolling basis to the Court by way of an *ore tenus* motion to extend discovery. The Court justifiably denied that motion based on the Defendants' admitted discovery misconduct and the need to conclude this matter.

## III. CONCLUSION

For the foregoing reasons, Chanel respectfully requests this Court grant Chanel's Motion for Summary Judgment and allow Chanel to make an election between an award of actual damages pursuant to 15 U.S.C. §1117(a) or statutory damages pursuant to 15 U.S.C. §1117(c). Chanel also requests that if the Court finds the Defendants acted willfully, the Court set a briefing schedule with respect to Chanel's claim for attorneys' fees and recovery of taxable costs.

Dated this 4th day of February, 2011.

Respectfully submitted,

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By: ______________________

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